

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 20, 2007
POSITION: Neutral

BILL NUMBER: SB 520
AUTHOR: Senate Governmental
Organization
RELATED BILLS: AB 663, AB 351,
AB 982 & AB 776 -
2007-08, AB 3046 -
Statutes of 2006,
AB 1442 - Statutes
of 2005, SB 1647 -
Statutes Of 2004

BILL SUMMARY: Alcoholic Beverages: Licenses

Existing law establishes the Department of Alcoholic Beverage Control (ABC) and grants it exclusive authority to administer the provisions of the Alcoholic Beverage Control Act (the Act) in accordance with laws enacted by the Legislature.

Existing law, the "tied house law", prohibits a beer manufacturer, distilled spirits manufacturer or winegrower from paying, crediting, or compensating a retailer for advertising, or for paying anything of value for the privilege of placing a sign or advisement on a retail premises. Exceptions to this tied-house law authorize a beer manufacturer, winegrower, winegrower's agent, distilled spirits rectifier, distilled spirits manufacturer, or a distilled spirits manufacturer's agent to purchase advertising space and time from certain on-sale licensees such as auditoriums, motion picture studios, arenas and theme parks.

This bill would expand that tied-house law exception to include a promoter of live entertainment with licensed subsidiaries and make other technical changes to the Act.

FISCAL SUMMARY

Finance estimates this bill would have no state General Fund impact. Finance concurs with ABC's estimate that ABC costs to enforce the provisions of this bill would be minor and absorbable.

COMMENTS

Finance notes the following with regard to this bill:

- The author's offices states the purpose of this bill is to allow a promoter of live entertainment whose stock is publicly traded and which is based in Los Angeles to continue to receive advertising revenues from beer and distilled spirits manufacturers subsequent to its acquisition of a chain of music clubs holding on-sale licenses.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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Senate Governmental
Organization

June 20, 2007

SB 520

ANALYSIS

A. Programmatic Analysis

Existing law establishes the Department of Alcoholic Beverage Control (ABC) and grants it exclusive authority to administer the provisions of the Alcoholic Beverage Control Act (the Act) in accordance with laws enacted by the Legislature.

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This bill would clarify existing tied-house exemptions for manufacturer-sponsored advertising at retail premises. More specifically, this bill would provide that a licensed beer manufacturer, winegrower, winegrower's agent, importer, distilled spirits manufacturer, or a distilled spirits manufacturer's agent may sponsor events promoted by, and may purchase advertising space and time from, or on behalf of, a live entertainment marketing company subject to the following conditions:

- The live entertainment marketing company is a wholly owned subsidiary of a live entertainment company that has its principal place of business in the County of Los Angeles, whose shares of stock are sold to the general public on a national stock exchange, and also owns subsidiaries that hold on-sale retail licenses.
- The sponsorship and the advertising space or time is purchased only in connection with the promotion of live artistic, musical, sports, or cultural entertainment events at entertainment facilities, auditoriums, or arenas that are designed and used for live artistic, musical, sports, or cultural entertainment events.
- Advertising space or time purchased pursuant to this section shall not be placed in any on-sale licensed premises where the on-sale retail licensee is owned by the live entertainment company, or any of its subsidiaries, described in this bill. Sponsorship would not be allowed if the event or activity is held at or in any on-sale licensed premises where the on-sale retail licensee is owned by the live entertainment company, or any of its subsidiaries, described in this provision.
- An agreement for the sponsorship of, or for the purchase of advertising space and time shall not be conditioned on the purchase, sale, or distribution of any alcoholic beverage manufactured or distributed by the advertising or sponsoring manufacturer, winegrower, or importer, by the live entertainment company described in this provision or by any on-sale retail licensee that is owned by the live entertainment company.
- Parties involved must enter into a written contract, and coercion of a wholesaler licensee to fulfill these contractual obligations would be a misdemeanor.

B. Fiscal Analysis

Finance estimates this bill would have no state General Fund impact. Finance concurs with ABC's estimate that ABC costs to enforce the provisions of this bill would be minor and absorbable.

BILL NUMBER

SB 520

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Code
2100/Alcohol Bev	SO	No		-----	No/Minor	Fiscal Impact	-----		3036
<u>Fund Code</u>	<u>Title</u>								
3036	Alcohol Beverages Control Fund								